

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 EB-07 AID-05 IGA-02 OMB-01

TRSE-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 L-03 DOTE-00 HEW-04 PM-04 NSC-05

SS-15 /074 W

-----071722Z 066339 /41

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3940

C O N F I D E N T I A L BEIRUT 2158

E.O. 11652: GDS

TAGS: EAID ECON LE

SUBJ: CALL ON MOHAMMED ATALLAH

REF: BEIRUT 2135

1. SUMMARY: MOHAMMED ATALLAH, CHAIRMAN OF THE RECONSTRUCTION AND DEVELOPMENT BOARD, HAS ASKED US TO EARMARK OUR AID MONEY NEXT YEAR FOR REPAIR AND MAINTENANCE OF LEBANON'S HIGHWAY SYSTEM.

HE ALSO IDENTIFIED TWO NEAR-TERM RECONSTRUCTION PRIORITIES:

A) PUTTING ALL OPERABLE FACILITIES BACK INTO PRODUCTIVE USE;
AND B) RESTORING ALL PUBLIC SERVICES TO TOP OPERATING CONDITIONS. HE SAID ARAB AID FOR SPECIFIC PROJECTS WAS LIKELY, BUT NOT FOR REFLOATING THE PRIVATE SECTOR. HE REPEATED THAT BOARD HAD NOT YET ORGANIZED ITSELF. COMMENT: I WILL BE SEEING THE PRIME MINISTER MAY 6. HE MAY HAVE SOMEWHAT DIFFERENT IDEAS ON HOW TO USE OUR AID MONEY. END SUMMARY.

2. DURING COURTESY CALL MAY 4 ON MOHAMMED ATALLAH, CHAIRMAN OF RECONSTRUCTION AND DEVELOPMENT BOARD, I NOTED THAT WE HAD TENTATIVELY BUDGETED \$20 MILLION IN AID FOR NEXT FISCAL YEAR AND EXPLAINED THAT THIS MONEY WOULD HAVE TO BE USED FOR RECONSTRUCTION RATHER THAN DEVELOPMENT. I ASKED FOR SOME INDICATION WITHIN THE NEXT FEW WEEKS OF HOW
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LEBANON WOULD LIKE TO SEE THIS MONEY USED, SINCE WE WOULD NEED TO MAKE DEFINITE DECISIONS BEFORE END OF OUR FISCAL YEAR IN SEPTEMBER.

3. REQUEST FOR HIGHWAY MAINTENANCE FUNDS.

A. ATALLAH REPLIED IMMEDIATELY THAT HE WOULD LIKE TO SEE SOME IF NOT ALL THE MONEY SPENT ON REPAIR

AND MAINTENANCE OF LEBANON'S EXISTING HIGHWAY SYSTEM. MONEY WOULD NOT BE USED TO BUILD NEW ROADS, BUT ONLY TO REPAIR EXISTING ONES. ATALLAH ESTIMATED IT WOULD COST LL150 MILLION TO REPAIR ENTIRE SYSTEM OF 7300 KILOMETERS. SO FAR, HOWEVER, ONLY WEST GERMANY WITH A CONTRIBUTION OF 20 MILLION MARKS HAD GIVEN ANY AID FOR THIS ACTIVITY.

B. I NOTED THAT IN GENERAL WASHINGTON WAS NOT ENTHUSIASTIC ABOUT ROAD PROJECTS, BUT THAT I WOULD INQUIRE ABOUT POSSIBILITIES WHEN I RETURNED FOR CONSULTATIONS LATER THIS MONTH.

4. PRIORITIES. THE BOARD HAS NOT YET PREPARED A DETAILED RECONSTRUCTION STRATEGY, ATALLAH CONTINUED, BUT HAD RECENTLY SUBMITTED A MEMORANDUM TO THE PRIME MINISTER WHICH IDENTIFIED TWO PRIORITY TASKS OVER THE NEAR TERM.

A. FIRST, TO "RECYCLE" THE ECONOMY. THIS MEANT PUTTING BACK INTO PRODUCTIVE USE ALL OPERABLE FACILITIES. ACHIEVEMENT THIS GOAL IN TURN DEPENDED ON THREE FACTORS: 1) SECURITY, AN "EXOGENOUS VARIABLE" WHICH THE BOARD COULD NOT CONTROL, BUT WHICH IT ASSUMED FOR PLANNING PURPOSES WOULD IMPROVE; 2) RESTORATION OF COUNTRY'S TRANSPORTATION NETWORK, WHICH REQUIRED ONLY AVAILABILITY OF FUNDS; AND 3) MAKING AVAILABLE NEEDED CREDIT, WHICH THE GOVERNMENT HAD SO FAR HANDLED CLUMSILY BY EITHER FAILING TO MAKE THE RIGHT DECISIONS, OR BY NOT IMPLEMENTING DECISIONS ALREADY MADE.

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B. SECOND, TO RESTORE ALL PUBLIC SERVICES TO TOP OPERATING CONDITION, PARTICULARLY BEIRUT PORT, TELECOMMUNICATIONS, PUBLIC TRANSPORTATION, WATER SUPPLY SYSTEM, AND THE ROAD NETWORK AS MENTIONED ABOVE. (ATALLAH REMARKED THAT MOST OTHER MEMBERS OF BOARD ALSO INCLUDED RECONSTRUCTION OF CENTER CITY BEIRUT IN THIS CATEGORY. ATALLAH, HOWEVER, DISAGREED AND THOUGHT THIS SHOULD NOT BE CLASSED AS A PRIORITY ACTIVITY OVER NEAR TERM.)

5. ARAB AID.

A. ARAB SOURCES, ATALLAH BELIEVED, WOULD PROBABLY COME UP WITH FUNDS FOR SPECIFIC PROJECTS: THE ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT WAS FOCUSING ON A FOURTH BASIN FOR BEIRUT PORT AND ON ELECTRIC SYSTEM: KUWAIT ON PORT'S SILO AND ON AIRPORT; SAUDIS WERE LOOKING FOR SUITABLE PROJECTS. LEBANON HAD BEEN "LED TO BELIEVE," HOWEVER, THAT VARIOUS ARAB FUNDS WOULD GET TOGETHER AND COME UP WITH SOME

COORDINATED APPROACH. SO FAR, HOWEVER, THERE WAS NO MANIFEST PROGRESS IN THIS REGARD.

B. IN ADDITION, THERE DID NOT SEEM TO BE ANY IMMINENT PROSPECT OF ARAB AID FOR PRIVATE SECTOR OR BUDGET SUPPORT. I REMARKED THAT UNITED STATES COULD NOT GIVE AID FOR REFLOATING PRIVATE SECTOR AND THAT LEBANON WOULD HAVE TO CONTINUE TO LOOK TO ARAB SOURCES FOR THIS PURPOSE.

6. ORGANIZATION. ATALLAH READILY ACKNOWLEDGED RECONSTRUCTION AND DEVELOPMENT BOARD HAD NOT YET ORGANIZED ITSELF. HE EXPLAINED HE WANTED TO PROCEED CAREFULLY AND NOT GET STUCK WITH A HASTY GOVERNMENT DECREE ESTABLISHING A STRUCTURE HE WOULD SPEND "THE NEXT TEN YEARS TRYING TO CHANGE." INTER ALIA, ATALLAH SAID HE DID NOT WANT TO ACT UNTIL HE HAD BENEFIT OF ADVICE OF AN AMERICAN EXPERT. (COMMENT: CONFIDENTIAL

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ATALLAH IS PROBABLY BEING SOMEWHAT DISINGENUOUS. I DOUBT THAT HE REALLY NEEDS AMERICAN ADVICE ON HOW TO ORGANIZE HIS BOARD. HOWEVER, SUCH ADVICE COULD OFFER HIM A CONVENIENT FOIL FOR WARDING OFF POLITICAL ATTACKS. EVEN IF SERVING NO OTHER PURPOSE, HOWEVER, AMERICAN ADVISOR WOULD BE OF REAL SERVICE TO LEBANON.)

7. COMMENT: JOHN SAUNDERS, SECRETARY GENERAL'S SPECIAL REPRESENTATIVE FOR LEBANON, TOLD ME ON MAY 5 THAT HE THOUGHT ATALLAH'S REQUEST FOR FUNDS FOR ROAD SYSTEM HAD MERIT. SAUNDERS BELIEVED THAT GOL'S PRIORITY TASK AT THE MOMENT WAS TO GET PEOPLE BACK TO THEIR VILLAGES TO RELIEVE CONGESTION IN THE CITIES AND REVIVE ECONOMIC, SOCIAL AND POLITICAL LIFE IN THE COUNTRYSIDE. SAUNDERS NOTED THAT RESTORED ROAD SYSTEM WAS AN IMPORTANT ELEMENT IN THE ACTIONS NEEDED TO ACHIEVE THIS AIM. I WILL BE SEEING PRIME MINISTER ON MAY 6. HE MAY HAVE SOMEWHAT DIFFERENT IDEA ON HOW TO SPEND FUNDS.
PARKER

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